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September 8, 1999

VIA COURIER

EX PARTE OR LATE FILED

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20054

EX PARTE PRESENTATION

Re: **CC Dkt. No. 96-98, re Availability of UNEs**

Dear Ms. Salas:

On September 7, 1999, David Scott, Chief Executive Officer and Gregory Lawhon, Senior Vice President Public Policy/General Counsel of Birch Telecom, Inc. and the undersigned counsel met with Dorothy Atwood, Legal Advisor to Chairman Kennard, regarding Birch's views in the above-referenced docket. We used the enclosed presentation as the basis of our discussion.

If you need any further information or have any questions, please do not hesitate to give me a call.

Sincerely,

Albert H. Kramer

AHK/rw
cc: Ms. Dorothy Atwood

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September 7, 1999

Who We Are and What We Do

Birch Telecom, Inc. is a regional provider of facilities-based integrated telecommunications services, serving Missouri, Kansas and Texas.

Birch has deployed 3 Lucent 5ESS switches, and has deployed or is installing 14 Ascend ATM packet switches. Birch also uses UNE-P and resale of incumbent services to provide the following services, individually or as a package:

- Local
- Long distance
- High-speed Internet access
- Data communications
- Internet web hosting and web site design
- Intranet development
- Voice messaging
- Conference calling
- Customer premises equipment

Birch's Local Service Development

Birch was founded in 1997 and rolled out service in stages:

- March 1997 - smaller communities in Kansas:

Emporia	Salina	Hays
Manhattan	Dodge City	

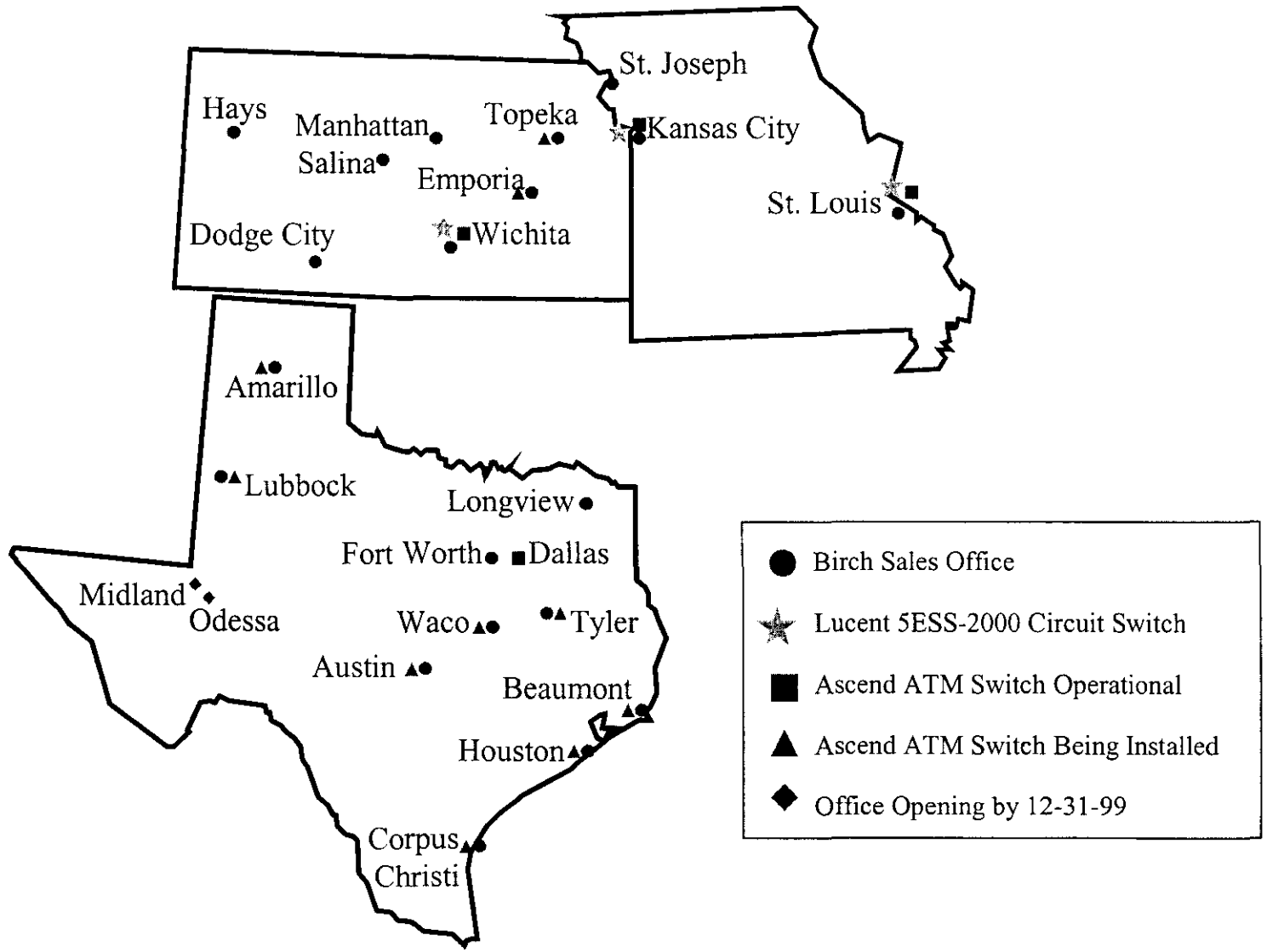
- May 1998 - Missouri markets and larger Kansas communities:

Kansas City	St. Louis	St. Joseph
Wichita	Topeka	Lawrence

- May to August 1999 - Texas markets:

Fort Worth	Waco	Beaumont
Tyler	Longview	Houston
Corpus Christi	Dallas	Lubbock
Amarillo		

Birch's Offices and Facilities



Rapid Customer and Access Line Growth

As a result of its intensive marketing and a direct local sales force of 140 people, Birch has grown rapidly since the market launches in Kansas and Missouri in May 1998 and in Texas in May 1999.

Birch now serves approximately 23,650 customers and 73,000 access lines.

	Customers	Access Lines
Business	10,900	56,800
Residential	12,750	16,100
Total	23,650	72,900

Birch Serves the Market Broadly

With its roots in smaller communities in Kansas, Birch serves the market broadly, attempting to bring the benefits of deregulation and competition to those who have been ignored by other providers - small and mid-sized businesses and residential customers.

Birch's typical business customer employs from 10 to 50 people and uses 5 access lines.

Examples of Birch's small and large-market penetration:

City	Population (MSA)	Business Customers	Business Access Lines	Residential Customers	Residential Access Lines
Topeka	165,000	937	4,288	782	1,080
Emporia	35,000	403	1,848	1,939	2,223
Kansas City	1,690,000	2,481	13,175	2,162	2,809
St. Joseph	97,000	289	1,504	254	305

Birch Enters Markets Aggressively and Competes Vigorously

Economics of Service Delivery Methods - Business Lines

	Resale	UNE-P	Switched
Revenue per line [1]	$47	$44	$44
Direct costs	44 [2]	29 [3]	22 [4]
Margin	3	15	22
Estimated backoffice costs [5]	5	7	10
Contribution per line	(2)	8	12
Costs to convert line (SWBT NRCs)	$5	$50	$65

[1] Assumes business line with an ILEC rate of $32, discounted 10% off ILEC rate for resale and 20% for UNE-P and switched service, plus $18 in access and other charges.

[2] SWBT gives Birch a 20% resale discount on line and features only, and Birch gives a 10% discount to its customers.

[3] Comprised of $15 loop, $2 switch port, and switch usage of $.03 per minute for 4,000 minutes.

[4] Comprised of $15 loop, $2 cross connect, and $5 transport from collocation to switch.

[5] Costs of billing, customer service and provisioning. UNE-P adds circuit inventory and inside wire. Switched adds switch technicians, translations, maintenance, and monitoring

Economics of Service Delivery Methods - Residential Lines

	Resale	UNE-P	Switched
Revenue per line [1]	$28	$28	$28
Direct costs	26 [2]	23 [3]	22 [4]
Margin	2	5	6
Estimated backoffice costs [5]	6	8	11
Contribution per line	(4)	(3)	(5)
Costs to convert line (SWBT NRCs)	$5	$50	$65

[1] Assumes residential line with an ILEC rate of $18, discounted 10% off ILEC rate for all service methods, plus $12 in access and other charges.

[2] SWBT gives Birch a 20% resale discount on line and features only, and Birch gives a 10% discount to its customers.

[3] Comprised of $15 loop, $2 switch port, and switch usage of $.03 per minute for 2,000 minutes.

[4] Comprised of $15 loop, $2 cross connect, and $5 transport from collocation to switch.

[5] Costs of billing, customer service and provisioning. UNE-P adds circuit inventory and inside wire. Switched adds switch technicians, translations, maintenance, and monitoring.

Costs to Deploy Switching Technology

	Kansas City	Wichita	Topeka	Emporia
Population	1,690,000	513,000	165,000	35,000
Estimated access lines	1,521,000	462,000	148,000	31,000
Switch and buildout	$5 million	$4 million	$2.5 million	$1.5 million
Collocation costs without EEL	$7.2 million	$2.4 million	$1.2 million	$0.3 million
-Sites	24	8	4	1
Lines to breakeven without EEL [1]	37,000 (2.4%)	19,000 (4.1%)	11,000 (7.4%)	5,500 (17.7%)
Collocation costs with EEL	1.2 million	0.6 million	0.3 million	0.3 million
-Sites	4	2	1	1
Lines to breakeven with EEL [1]	19,000 (1.2%)	14,000 (3.0%)	8,500 (5.7%)	5,500 (17.7%)

[1] Assumes $100 per line incremental capital cost, $12 contribution per line, and 36 month amortization of investment.

Note: Analysis above assumes the contribution on all lines is $12. Current contribution from residential lines is negative.

What CLECs Need to Provide Service

	UNE-P	EEL
Tier I Cities		
Large Business and Government		
Small Business	X	X
Residential	X	X
Tier II Cities		
Large Business and Government		
Small Business	X	X
Residential	X	X
Tier III Cities		
Large Business and Government	X	X
Small Business	X	X
Residential	X	X
Rural Areas		
Large Business and Government	X	X
Small Business	X	X
Residential	X	X

Note: Does not address universal service.

Birch's Capital Summary

(in millions)	
Sources	
Private Equity	$ 56
Senior Notes	115
Total Sources	$171
Uses	
Switches	$ 17
Information Technology	20
ATM Network	6
Facilities and other	8
Total Cap Ex	51
Acquisitions	18
Losses	50
Total Uses	$119

Service Alternatives Are Not Simply a Matter of Economics

Resale is unprofitable, but very reliable

UNE-P is profitable and generally reliable

Unbundled elements are potentially profitable, but unreliable

Current Customer Acquisition Rate

	Service Method (s)	New Access Lines per Month
Texas	UNE-P	6,000
Missouri	Switched, Resale UNE-P	2,000
Kansas	Resale	1,200